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Diana Byron



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Some of the people who helped bring this book to market include the following:

Acquisitions, Editorial

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Anam Ahmed

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Composition Services

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Introduction



At financial institutions, currency transaction report (CTR) filing is a fact of life. If you're on the front lines of a bank, trust company, or credit union or if you're responsible for BSA compliance, then you know how tricky CTRs can be. A single CTR can include multiple people, currencies, and/or transactions, and improperly completed forms can lead to bad exams and even fines. No wonder staff find completing these forms frustrating and headache inducing. This handy reference booklet, packed with information, is the antidote.

About This Booklet

This booklet provides you with basic information about CTR filing and step-by-step instructions for completing the report. I can't cover every situation, but I detail some of the most common situations that you'll run into.

Note: This booklet is not intended to replace official guides, such as the *FFIEC BSA/AML Examination Manual*, or the detailed instructions on FinCEN Form 104 (CTR). FinCEN also provides administrative rulings to clarify regulatory issues. If you need further clarification on any issue, you may contact the BSA Help Desk by phone at 1-866-346-9478 (option 1) or by e-mail at bsaefilinghelp@fincen.gov.

Foolish Assumptions

To tailor this booklet to suit your needs, I'm making an assumption about you: I assume that if you're reading this, you work within the financial services industry.

How This Booklet Is Organized

To make *Currency Transaction Reporting For Dummies* as user-friendly as possible, I divided the information into five parts. If you have a bit of time and a nice warm latte, you can read it from cover to cover. If you have a CTR that needs to be filed right now, you can dive directly into the part of the booklet that answers your question. The choice is yours.

Part I: Preventing Money Laundering

Money laundering is a big concern, and the government is doing its best to eliminate it. In this part, I introduce you to the basics of money laundering, the people who are in charge of stopping it, and the rationale behind all the filing you have to do.

Part II: Introducing the CTR Form

In this part, I break the CTR down into its component parts and explore the individual sections you work with when filling out and filing the reports.

Part III: Recognizing Tricky Situations

Because life would be dull if it were easy, you will likely run into some challenges when completing your reports. In this part, I consider some situations that can make completing CTRs difficult, and I walk you through the proper way to complete the report.

Part IV: Benefitting from Automation

Completing CTRs takes up a great deal of time and energy. If you find the task becoming too much, you may benefit from automating your CTR process. In this part, I discuss the advantages of having an automated system.

Part V: Ten (or So) Tips for Selecting an Automated System

In case you decide that an automated system would make your life easier, I offer some tips to make sure you get the best possible system. These ten (or so) tips will get you thinking about what your new system should offer you.

Icons Used in This Booklet

Scattered throughout this booklet are icons on the left side of the pages. Here's what they mean:



This icon draws your attention to something that will make completing your CTRs a little less stressful.



This little image points out information that will come in handy and is worth remembering.



This icon alerts you to situations or circumstances that can be harmful to your career or that are just plain illegal.

Part I

Preventing Money Laundering

In This Part

- ▶ Explaining money laundering
- ▶ Introducing the regulators

So what is money laundering, anyway? Apart from watching the odd mob movie, most people have just a passing understanding of what it actually involves. If you've always wanted to know, but have been afraid to ask, you're in luck. In this part, I introduce you to the concept of money laundering, some of the people who are trying to stop it, and one of the ways you can help them.

Understanding Money Laundering

Money laundering is an attempt to disguise the source of a sum of money. Criminals, including drug traffickers, terrorists, and arms dealers, use money laundering as a way to fund and expand their illegal activities. To prevent this and to maintain the integrity of the financial system, the government keeps a close eye on transactions that may involve money laundering.

Everyone does laundry. You know the drill—when you launder dirty clothes, you put them in the washing machine and, with the exception of the odd sock that goes missing, they come out clean. The same principle applies when the bad guys launder their money. Instead of a washer, the bad guys put their “dirty” money into the regular financial system (through banks, trust companies, and credit unions) to “clean” it.

Laundering money to make it appear legitimate involves three steps, which can occur simultaneously or separately:

- 1. Placement:** The bad guys put their ill-gotten gains into the financial system. This can be as simple as depositing cash into a bank account. Sometimes they break down a large deposit into several smaller ones to avoid detection. For example, Bob the bad guy deposits \$5,000 to his personal account at bank branch A, \$3,000 into his joint account at bank branch B, and \$4,000 through an automated teller machine at bank branch C. Breaking up the deposit like this, with the intention of avoiding the need to report it to the Department of the Treasury, is called *structuring*. And it’s illegal.



Structuring your cash transactions this way can lead to penalties that include up to five years in jail or a fine of up to \$250,000.

- 2. Layering:** Next, the bad guys try to cover their tracks by carrying out a variety of transactions. Moving the money around makes it difficult to follow the trail back to the original source. For example, Bob the bad guy creates phony companies (such as *shell corporations*) and transfers

money between them in an attempt to make the funds appear legitimate.

- 3. Integration:** After the money has been deposited into the financial system and its origins have been clouded by a series of transactions, it's "clean." Now the bad guys use the money to purchase material goods (such as a yacht, a vacation home, or a statue for the front lawn) or to invest in further criminal activities.

Keeping tabs on questionable activities

Passed in the United States in 1970, the Bank Secrecy Act (BSA) requires financial institutions operating in the United States to file and retain records that may be useful in tracking tax, criminal, and other regulatory activities. Under the BSA, financial institutions must file five different reports:

- ✓ The Currency Transaction Report
- ✓ The Suspicious Activity Report
- ✓ FinCEN Form 105 Report of International Transportation of Currency or Monetary Instruments (CMIR)
- ✓ The Department of the Treasury Form 90-22.1 (the Report of Foreign Bank and Financial Accounts)
- ✓ The Designation of Exempt Person Form

Financial institutions file all of these reports with FinCEN, which uses them to try to identify possible instances of money laundering and shares any pertinent information with the appropriate law enforcement agencies. To keep things simple, I only focus on one of these forms in this booklet, the Currency Transaction Report.

Meeting the Regulators

So, who are the good guys in the war against money laundering? Are they tall, dark, and handsome, with guns on their hips? Not exactly. (Well, they may be tall, dark, and handsome, but they wield a different weapon — paper.) A branch of the Department of the Treasury, the Financial Crimes Enforcement Network (FinCEN for short), protects the U.S. financial system from money laundering by creating regulations, enforcing compliance, facilitating information sharing, performing analysis, and coordinating with foreign counterparts.

Part II

Introducing the CTR Form

In This Part

- ▶ Understanding what the CTR form does
 - ▶ Choosing a report option
 - ▶ Filling out Part I: Persons involved in the transaction
 - ▶ Completing Part II: Amount and type of transaction
 - ▶ Providing your information
-

The CTR form plays an integral role in helping FinCEN keep track of large cash transactions and alerts FinCEN to potential incidents of money laundering. Completing it properly is an important responsibility. In this part, I explain why the form is used and review the form in depth so you'll be comfortable completing it.

Improving Currency Transaction Reports: FinCEN Modernizes

FinCEN keeps an eye on the bad guys and analyzes information supplied by financial institutions. It relies on the Currency Transaction Report (or CTR) as a key source of information. CTRs keep FinCEN apprised of who's making large cash transactions and provide details of their activities. (Figure 2-1 shows a CTR.)

In 2011, FinCEN started the process of modernizing the CTR form, including important changes to report submission requirements. The changes were an attempt to streamline and simplify. The new report consolidated and replaced Form 104 (CTR) and Form 103 (CTR by Casinos), though they did get snappy new names: "legacy reports." FinCEN also bid adieu to snail mail. As of March 31, 2013, FinCEN requires financial institutions to electronically file the new reports through the BSA E-Filing System, and no longer accepts legacy reports after this time.



FinCEN instituted these changes to improve data collection by taking advantage of a modernized information technology (IT) system. The updates allow law enforcement and regulatory partners more advanced and sophisticated querying of report information, which helps to catch the bad guys quicker.

Currency Transaction Report

Home Step 1. Person Information Step 2. Amount and Type of Transaction Step 3. Financial Institution Information

 Currency Transaction Report
OMB No. 1506-0064 Version Number: 1.1

Filing Name

*¹ Type of filing Initial report Correct/amend prior report FinCEN directed Backfiling

Document Control Number / BSA Identifier

Save **Validate** **Submit** **Print**

Under penalties of perjury, I declare that I have examined this transmittal, including accompanying documents, and to the best of my knowledge and belief it is correct and complete. In the case of documents without recipient's identifying numbers, I have complied with the requirements of the law in attempting to secure such numbers from the receipts. I declare that this filing represents all Documents filed during this reporting period except for those transactions reported on paper.

Sign with PIN

Figure 2-1: The Currency Transaction Report.

Proving the customer's identity

To keep track of who's making large cash transactions, FinCEN requests information about the identity of anyone conducting a reportable transaction. This means that if a customer makes a transaction that requires a CTR to be filed, you need to have him or her show some official ID — a driver's license, passport, or state-issued identity card is fine. Basically, if a customer can use the ID to cash a check, you can use it to identify the customer on a CTR. (I explain where to include this information in "Completing Step I: Person Information" later in this part.)

Reporting currency transactions

To assist FinCEN in its efforts to nab money launderers, every financial institution in the United States is required to file a CTR for any cash deposit, withdrawal, or exchange of currency exceeding \$10,000.



A CTR is only required when a transaction involves cold hard cash, in either paper or coin form. Other forms of payment, such as wire transfers, don't need to be reported on a CTR.

For CTR purposes, treat multiple transactions occurring on the same business day and benefitting a single customer as a single transaction. This prevents the bad guys from avoiding detection by making several small transactions instead of one large one. (Check out Part I of this booklet for more details on this deception.)



The definition of a “business day” may differ from institution to institution. Most banks consider a *business day* to be the actual date on which transactions are conducted and posted to accounts, so a business day can span multiple calendar days. Some financial institutions have a filing cutoff time each day. For example, bank ABC considers any transactions taking place prior to 2 p.m. to have happened on that day, and any taking place after 2 p.m. to have occurred on the following day — meaning the transactions will require separate CTRs.

FinCEN gives financial institutions 15 calendar days following a transaction to file a CTR. You must keep copies of the reports on file for five years after the date of filing.



Failing to file a CTR is serious business. It can land you in jail for up to ten years or subject you to a fine of up to \$500,000. And you can even be fined for filing late, so keep a close eye on the deadlines.

Selecting the Appropriate Report Option

The FinCEN CTR contains four tabs that represent a separate section of the report. The tabs form a sequence meant to make the report easier to complete. Each section provides a logical breakdown of the activity:

- ✓ Home tab: Header page
- ✓ Step 1: Part I — Person/Transactor Information

- ✓ Step 2: Part II — Amount and Type of Transaction
- ✓ Step 3: Part III — Financial Institution Information

Figure 2–2 shows this tabular format.

The screenshot shows a software application window titled "Currency Transaction Report". At the top, there is a blue header bar. Below it, a navigation bar contains four tabs: "Home", "Step 1. Person Information", "Step 2. Amount and Type of Transaction", and "Step 3. Financial Institution Information". The "Home" tab is currently selected, indicated by a darker background and white text.

Figure 2-2: Currency Transaction Report, Tabular Sections.

The Home tab provides an area to enter data specific to the report itself, including:

- ✓ Filing Name: The name of the report.
- ✓ Type of filing: A required field that gives you three possible options:
 - **Initial report:** Select this for a report being filed for the first time.
 - **Correct/amend prior report:** Select this if you corrected data or updated information on a previous report.
 - **FinCEN directed Backfiling:** Select this if your institution is being directed by FinCEN to file the report on a transaction (or transactions) not previously reported.



If you select “Correct/amend a prior report,” you must enter the reports Document Control Number (DCN) or BSA Identifier (BSA ID). If this number is unknown, enter all zeros in this field.

Completing Step 1: Person Information

Here is your chance to tell FinCEN about the person (or people) involved in the transaction. Fill out Step I of the CTR with identifying information to help FinCEN get to know them.

In this section (see Figure 2–3 for a preview), identify who's involved with the transaction by completing Items 2 through 22. Don't panic if more than one person is benefitting from the transaction (for example, if a joint account is involved): You can easily add a second person to the report by clicking the blue "+" button located at the top of this section.



This applies if a person is conducting business on behalf of someone else. You can start by selecting Item 2b, "Person conducting transaction for another" and completing Items 3 through 22 for that person. Then, click the blue "+" button at the top of the section, select 2c, "Person on whose behalf transaction was conducted" and complete Items 3 through 22 for that person/business.

If a company, rather than an individual, is benefitting from the transaction, check the "If entity" check box located between questions 3 and 4. When you select "If entity," you must enter the company name in field 4; Items 5, 6, and 7 will no longer be available for entry.

Currency Transaction Report

Home	Step 1. Person Information	Step 2. Amount and Type of Transaction	Step 3. Financial Institution Information
Part I Person Involved in Transaction 1 of 1			
*2 a <input type="checkbox"/> Person conducting transaction on own behalf b <input type="checkbox"/> Person conducting transaction for another c <input type="checkbox"/> Person on whose behalf transaction was conducted d <input type="checkbox"/> Courier Service (private) 3 <input type="checkbox"/> Multiple transactions Check <input type="checkbox"/> If entity			
*4 Individual's last name or entity's legal name <input type="checkbox"/> Unknown <input type="text" value=" "/>			
*5 First name <input type="checkbox"/> Unknown <input type="text" value=" "/>			
6 Middle name <input type="text" value=" "/>			
Suffix <input type="text" value=" "/>			
7 Gender <input type="text" value=" "/>			
8 Alternate Name <input type="text" value=" "/>			

Figure 2-3: Currency Transaction Report, Part I, Section A.



The “If entity” check box can only be checked if you have selected “2c: Person on whose behalf transaction was conducted” in question 2.



If you’re aware that the company operates under another name as well (often known as *doing business as* or DBA), enter that information in Item 8, “Alternate Name.” For example, if Jackson Enterprises is making a cash deposit from the proceeds of weekend sales at its pizza palace, enter JJ Pizzeria in field 8.

A few things to remember about Items 7 through 19:

- ✓ Item 7, “Gender,” is not a required field, as providing the information may be in conflict with obligations under other federal law.

- ✓ When completing Item 9, “Occupation or type of business,” use specific descriptions rather than vague descriptions (for example, “used car dealership” rather than “retailer”). Similarly, if the person is “retired,” “unemployed,” or “self-employed,” attempt to enter the current or former profession (for example, “retired teacher” or “self-employed carpenter”). Try to match the closest North American Industry Classification System (NAICS) code in Item 9a to the occupation entered in Item 9. The NAICS code list can also be accessed at <http://bsaefiling.fincen.treas.gov/main.html>.
- ✓ When selecting Tax Identification Number (TIN) Type in Field 16, select EIN if the transaction is being completed for a business or SSN-ITIN if the transaction is being completed for an individual.
- ✓ The date of birth must be entered in the following format: MM/DD/YYYY. For example, if their birth-date is November 6, 1975, you would enter 11/06/1975.

Form of Identification

Item 20 requires you to enter the identification information obtained from the individual making the transaction. You select the form of identification and enter the ID number and country where it was issued (plus the state, if applicable).



Don’t include hyphens or periods when entering an identification number.

Cases may occur where you have to choose “Unknown,” meaning you won’t need to fill out any details in this section. This happens in the following circumstances:

- ✓ You have selected Item 2c, "Person on whose behalf transaction was conducted" and are entering information on the person/business for which the transaction was conducted. You may not have identification on this person/business.
- ✓ You don't know who conducted the transaction. This happens when a deposit is made by any of these methods:
 - Armored car service
 - Mail deposit or shipment
 - Night deposit or automated teller machine
 - A customer conducts multiple transactions and isn't identified on any of the smaller (under \$10,000) transactions

Cash In and Cash Out

Almost there! In Items 21 and 22 (check out Figure 2–4), you must enter the total cash deposited and total cash withdrawn by the individual or entity listed in Item 4. For example, if you complete a CTR on Jane Doe, you must indicate that she deposited \$14,535 and withdrew \$11,203 in cash that day. These amounts can be the result of single or multiple deposits/withdrawals.



Dollar amounts must be rounded up to the next dollar. For example, \$12,353.52 should be entered as \$12,354.



Foreign currency amounts can only be recorded in Items 26, "Foreign Cash in" and 28, "Foreign Cash out." When converting a foreign currency to U.S. dollars to enter the correct aggregated amount, use an exchange rate from the day of the transaction.

*20 Form of identification used to verify identity		<input type="checkbox"/> Unknown
<input type="checkbox"/> Driver's license/State ID <input type="checkbox"/> Passport <input type="checkbox"/> Alien Registration <input type="checkbox"/> Other		<input type="text"/>
Number	Country	Issuing State
21 Cash in amount for individual or entity listed in Item 4		\$ <input type="text"/>
Account number		<input type="text"/> + -
22 Cash out amount for individual or entity listed in Item 4		\$ <input type="text"/>
Account number		<input type="text"/> + -

Figure 2-4: Currency Transaction Report, Part I, Items 20–22.

Working through Step II: Amount and Type of Transaction

Step II of the CTR (see Figure 2-5) gets into the nitty gritty of the transaction details.

Part II Amount and Type of Transaction(s). Check all boxes that apply.					
*23 Date of transaction	<input type="text"/>				
24	<input type="checkbox"/> Armored car (FI Contract)	<input type="checkbox"/> ATM	<input type="checkbox"/> Mail Deposit or Shipment	<input type="checkbox"/> Night Deposit	<input type="checkbox"/> Aggregated transactions
*25 CASH IN: (in U.S. dollar equivalent)			*27 CASH OUT: (in U.S. dollar equivalent)		
a Deposit(s)	\$ <input type="text"/>	.00	a Withdrawal(s)	\$ <input type="text"/>	.00
b Payment(s)	<input type="text"/>	.00	b Advance(s) on credit (including markers)	<input type="text"/>	.00
c Currency received for funds transfer(s) out	<input type="text"/>	.00	c Currency paid from funds transfer(s) in	<input type="text"/>	.00
d Purchase of negotiable instrument (s)	<input type="text"/>	.00	d Negotiable instrument(s) cashed	<input type="text"/>	.00

Figure 2-5: Currency Transaction Report, Step II.



This part is fairly easy to understand, but keep these points in mind:

- ✓ Enter the date of the transaction in Item 23. This may be the easiest field to complete on the whole report!
- ✓ Tackle Items 25 and 27 and round up the numbers to the next highest dollar amount. And be generous when you round up — any cents involved in a transaction cause it to be bumped up to the next whole dollar value. For example, enter a deposit of \$15,388.01 as \$15,389.00.
- ✓ Some of the fields under Items 25 and 27 make it pretty clear that the CTR report is aimed at more than financial institutions.
- ✓ If entering an aggregated amount, add all of the deposits or withdrawals first, then round up the total and enter that amount. For example,
$$\$3,000.17 + \$4,000.13 + \$5,000.14 = \$12,000.44,$$
which you enter as \$12,001.00.
- ✓ If you're dealing with a foreign currency transaction, enter the foreign amount in Item 26 or 28, as appropriate. A couple do's and don'ts:
 - **Do:** Round up to the next whole amount.
 - **Do not:** Convert the amounts to U.S. dollars.
- ✓ If multiple foreign currencies are involved in the transaction, remain calm. Simply enter the first amount and issuing country. Click the adjacent blue "+" button and enter the next amount and issuing country in the newly created fields.

Identifying Yourself in Step III: Financial Institution Information

The last part of the report (Figure 2–6 offers you a peek) is the easiest of all to complete; after all, it's all about you. Simply complete each of the items with the pertinent information.

Part III Financial Institution Where Transaction(s) Takes Place 1 of 1	
*37 Type of financial institution	<input type="text"/>
Other (specify)	<input type="text"/>
*29 Primary federal regulator	<input type="text"/>
38 If 37a - Casino/Card Club is checked, indicate type (check only one)	
<input type="checkbox"/> State licensed casino <input type="checkbox"/> Tribal authorized casino <input type="checkbox"/> Card club <input type="checkbox"/> Other <input type="checkbox"/>	
*30 Legal name of financial institution	<input type="text"/>
31 Alternate name, e.g. trade name, DBA	<input type="text"/>
*32 EIN	<input type="text"/>

Figure 2-6: Currency Transaction Report, Part III.

A few things to remember:

- ✓ If you are subject to multiple regulators, you must enter the primary regulator for enforcing BSA compliance in Item 29.
- ✓ Enter the full legal name of your institution in Item 30, not a trade name. A trade name can be entered in Item 31.
- ✓ A zip code entered in Item 36 must not contain hyphens, periods, or spaces.

- ✓ The city name entered in Item 34 must match with the city name used by the U.S. Postal Service for the state (Item 35) and zip code (Item 36) entered in the report.

After all of the required and applicable information is added, return to the Home tab where you can save your work, check the report for errors, print a copy of the report, or begin the submission process.

Part III

Recognizing Tricky Situations

In This Part

- ▶ Recording more than one transaction
 - ▶ Listing more than one person
 - ▶ Handling foreign exchanges
 - ▶ Combining transactions
-

Filling out a CTR is usually fairly straightforward, but occasionally you encounter situations that make completing the report a little trickier. Filing an incorrect CTR can be expensive. Fines can potentially cost up to \$1,500 per report.

In this part, I point out some of the scenarios that commonly trip people up and show you the correct way to fill out the report.

Reporting Multiple Transactions

Being confronted with multiple transactions can be confusing. But don't worry: Reporting more than one transaction on a CTR isn't tough. Just read on to discover how to handle three common situations.

Same day deposits and withdrawals

When handling multiple transactions, first figure out which ones need to be reported. Having to report one transaction doesn't automatically mean you have to report the others as well.

For example, imagine that Fred deposits \$20,000 cash into his account on Monday morning. After lunch, he returns to the bank and withdraws \$8,000 in cash.

Complete the CTR as I explain next. And remember, you don't need to report the \$8,000 withdrawal because it's below the \$10,000 reporting threshold. Large cash deposits and withdrawals are aggregated independently; either is only reportable if beyond the reporting threshold.

For Part I:

- ✓ Check box 2a, "Person conducting transaction on own behalf."
- ✓ Enter Fred's personal information and verify it with valid ID.
- ✓ Aggregate the total cash in and cash out of Fred's account for the business day and enter the totals (rounded up to the nearest dollar) in Items 21 and 22. In this case, the only business he completed was the \$20,000 cash deposit, which you enter in Item 21 along with the corresponding account number. Remember that you don't need to enter the \$8,000 cash withdrawal because it falls below the reporting threshold.

For Part II:

- ✓ In Item 25a, enter \$20,000 as the “Cash in” amount.
- ✓ Because Fred’s daily cash withdrawal was less than \$10,000, you do not need to enter anything into Item 27, “Cash out.”
- ✓ Enter the date of the transaction in Item 23. Because the other Items are not applicable (24, 26, 28), you have completed Part II.

Multiple deposits in excess of \$10,000

Receiving multiple deposits of more than \$10,000 means you better get going on your paperwork. Rather than reporting each transaction individually, report the grand total of the transactions, as in the following example:

If Sally deposits \$20,000 at branch 1 on Wednesday morning and travels to branch 2 to make an afternoon deposit of \$15,000, fill out the single CTR as follows:

- ✓ Check Item 3 in Part I to indicate that multiple transactions are being reported.
- ✓ Do the following in Part I:
 - Check box 2a, “Person conducting transaction on own behalf.”
 - Enter Sally’s personal information and verify it with valid ID.
 - Enter Sally’s aggregated daily cash deposit total (\$35,000) in Item 21, along with her account number. In this example, she did not make a cash withdrawal, so Item 22 remains blank.

✓ Do the following in Part II:

- In field 25a, enter \$35,000 as the “Total Cash in” amount.
- Enter the date of the transaction in Item 23. Because the other Items are not applicable (24, 26, 28), you have completed Part II.



Watch out for branch cutoff times when dealing with more than one transaction. If the second transaction takes place after the reporting cutoff for that day, then instead of filing one CTR that reports both transactions, you'll need to complete separate CTRs for each transaction.

Multiple deposits below \$10,000

If a customer makes multiple transactions of the same type and they total more than \$10,000 for the same business day, you must report them on the same CTR. Consider the following example:

Fred deposits \$7,000 at branch A in the morning and \$8,000 at branch B in the afternoon. In this case, report the transactions just as you would for multiple deposits greater than \$10,000:

✓ Check Item 3, “Multiple transactions” in Part I to indicate that multiple transactions are being reported.

✓ Do the following in Part I:

- Check box 2a, “Person conducting transaction on own behalf.”
- Enter Fred’s personal information and verify it with valid ID.

- ✓ Enter Fred's aggregated daily cash deposit total (\$15,000) in Item 21, along with his account number. In this example, he did not make a cash withdrawal, so Item 22 remains blank.
- ✓ Do the following in Part II:
 - In field 25a, enter \$15,000 as the "Total Cash in" amount.
 - Enter the date of the transaction in Item 23. Because the other Items are not applicable (24, 26, 28), you have completed Part II.

However, because Fred makes the deposits at different branches, you may run into a problem. If your computer system alerts you to the earlier transaction, ask Fred for his ID and complete the CTR. *But if your financial institution doesn't share inter-branch information at the front-line level, you may not be aware that a CTR is required, and because the transaction's below \$10,000, you likely won't ask for ID.* In this case, after the need for the CTR is discovered, complete the report, making sure that in Part I, Item 20, "Form of identification used to verify identity," you select "Unknown," and in Part II, Item 24, be sure to check "Aggregated transactions." This indicates that you did not obtain ID because the individual transactions were below the threshold amount.

Dealing with Multiple Parties



Sometimes you encounter transactions involving more than one person. Remember: even if only one person makes the transaction, if it affects more than one person, the CTR needs to reflect this.

For example, Sally makes a withdrawal of \$17,000 from her joint account (which she shares with her husband, Joe). If you believe Joe will benefit from the transaction, then you should include his information on the CTR, whether he comes into the bank to see your smiling face or not. Here's how to proceed with the CTR in this case:

- ✓ Check Item 2a, "Person conducting transaction on own behalf" and complete Part I for Sally. In Item 22, enter the \$17,000 withdrawal and the joint account number.
- ✓ Now you add Joe to the report by clicking the blue "+" button at the top of Part I. Check Item 2c, "Person on whose behalf transaction was conducted" and complete the Items in Part I with Joe's information. In Item 22, enter the \$17,000 withdrawal and the joint account number.
- ✓ Enter the following in Part II:
 - Enter the date of the transaction in Item 23.
 - Enter \$17,000 in Item 27a, "Cash out."

Figuring Out Foreign Exchange



Foreign exchange transactions can seem tricky to report, but just take it slowly and follow the examples in the next few sections.

Depositing, withdrawing, and converting

When reporting foreign exchange transactions, remember to aggregate the currency exchange transaction between the cash in and cash out amounts.

Suppose Fred arrives at your branch on Tuesday morning and deposits \$6,000, withdraws \$4,000, and converts \$5,000 U.S. dollars into Euros. When your head stops spinning, complete your CTR just like I show you here. And remember, when the aggregate amount of a deposit or withdrawal is below the \$10,000 threshold, it doesn't need to be reported. In this example, the withdrawals aggregate to \$9,000 (\$4,000 + \$5,000), and do not need to be included on the CTR.

✓ Do the following in Part I:

- Check Item 2a, "Person conducting transaction on own behalf."
- Check Item 3, "Multiple transactions."
- Enter Fred's personal information and verify it with valid ID.
- Enter \$11,000 for "Cash in" amount in Item 21. Remember: when exchanging U.S. cash for foreign currency, treat it as a cash in and cash out transaction.

✓ Do the following in Part II:

- Enter the date of the transaction in Item 23.
- Enter \$11,000 for Item 25a, "Deposit(s)."
- Go to Item 28, "Foreign Cash out" and enter the amount of Euros converted from U.S. dollars.

Depositing multiple foreign currencies

FinCEN's updated report makes it easier to report multiple foreign currency deposits. Items 26 and 28 in Part II were designed to make this a more streamlined process.

Here's an example: Sally has just returned from a lengthy business trip and deposits \$11,000 Canadian and €3,000 into her account at your branch. The Canadian currency converts to \$9,817.99 U.S. dollars, and the Euros convert to \$3,941.92 U.S. dollars. In this situation, report the transactions as follows:

✓ In Part I, do the following:

- Select Item 3, "Multiple transactions."
- Enter Sally's personal information and verify it with valid ID.
- Convert the foreign currency to U.S. dollars and enter the total U.S. dollars deposited ($\$9,817.99 + \$3,941.92 = \$13,759.91$, rounded up to \$13,760) in Item 21.

✓ In Part II, do the following:

- Enter the date of the transaction in Item 23.
- Enter \$13,760 for Item 25a, "Deposit(s)."
- Enter \$11,000 in Item 26, "Foreign Cash in" and select "Canada" in the "Foreign Country" drop-down.
- Click the blue "+" button adjacent to Item 26 to add another "Foreign Cash in" item.
- In the second Item 26 field, enter €3,000 and select the applicable European Union country in the "Foreign Country" drop-down.

Part IV

Benefitting from Automation

In This Part

- ▶ Discovering the advantages of filing efficiently
- ▶ Knowing the benefits of using an automated system
- ▶ Understanding the differences between manual and automated filing

In this part, I share the advantages of filing CTRs quickly and correctly. I also point out how automating the routine can simplify your life, and I provide an example of how automation is a big improvement over more labor-intensive manual processes.

Considering the Benefits of Filing CTRs Promptly and Proficiently

Reporting currency transactions requires painstaking attention to detail and can be time-consuming. But incentives exist for relaying the information quickly and correctly, including the following:

- ✓ FinCEN uses the information you supply to identify and nab bad guys. (Hey, don't discount your chance to be a hero. Remember, it was an accounting anomaly that took down Al Capone.)
- ✓ At some point, your designated regulator will examine your financial institution. Making sure your CTRs are right the first time saves you headaches and hassles when exam time rolls around (and it makes you look like a star in the eyes of your friendly neighborhood examiner).
- ✓ Failing to report transactions in a timely manner exposes you or your financial institution to hefty fines.

Luckily for you, smart software developers offer automated solutions aimed at making the reporting process as smooth and painless as possible. In the following sections, I look at the benefits of these solutions.

Checking Out the Advantages of an Automated System

Manually completing CTRs requires careful attention to detail and extensive training to prevent mistakes. Automating your CTR filing reduces staff frustrations and streamlines the whole process. Here are some other advantages:

- ✓ **The ability to aggregate same-business-day transactions in a snap.** The software tracks EIN/SSN (Employer Identification Number/Social Security Number) information and provides a list of potentially reportable transactions, which staff could easily miss if the transactions occurred at a

variety of branches or if a customer operates several accounts, such as a personal account, a joint account, and a small business account.

- ✓ **Automatic generation of reports.** This reduces the potential for human error and frees up valuable staff time.
- ✓ **A terrific memory.** Automated solutions retain conductor information from prior CTRs and use it to quickly populate additional reports for the same account.
- ✓ **A reduction in rejected CTRs.** The system flags potential errors, such as an incorrect zip code, and alerts staff immediately with a clear report that advises them of the mistake so they can make changes prior to submission.
- ✓ **A significant cut in the time staff spend creating and approving CTRs.** Because the system catches and flags both errors and potentially reportable transactions, front-line staff and compliance officers will have more time to focus on other tasks.
- ✓ **Easy to track workflows.** To manage deadlines, compliance officers need to track where a CTR is in the filing process. An automated system presents this information clearly and also allows compliance officers to assign tasks to specific employees and to send them automatically to the appropriate employee.
- ✓ **An early warning system.** Automated solutions track all reportable transactions, record their current status, and alert staff when filing deadlines are approaching.

- ✓ **A direct link with FinCEN.** A secure connection between your financial institution and FinCEN means staff can file reports electronically — ensuring on-time submission. It also removes the need for you to log on to the FinCEN e-filing website, upload your files, wait for confirmation, and all the other steps that can be so frustrating and time-consuming.

Reaping the benefits of automation

First National Bank Texas files close to 300 CTRs each month, so they need an efficient way to manage the process. Prior to automating, they found that reporting qualifying transactions was a painstaking, time-consuming exercise. A team of six staff members manually reviewed every transaction and customer appearing on the daily core banking system reports (yes, plural). Staff spent a great deal of time verifying information with branches and correcting customer information that was incorrectly filled out. They used calculator tape to confirm cash in and cash out, and researched all ATM transactions, which their reports weren't able to capture.

Frustrated by the inefficiency and potential for mistakes, First National automated their processes. Now their software handles transaction and customer analysis. It organizes all necessary information and presents it in a user-friendly way, eliminating the need for data entry and worry about overlooked ATM transactions, incorrectly filed information, or missed deadlines.

The system has streamlined the process so much that three members of the CTR team have been reassigned to focus on fraud investigation.

Seeing the Step-By-Step Differences

If you only file one or two CTRs each month, then manual filing may not seem like a big deal to you. However, if you have a heavier CTR load, an automated system makes your life easier.

Without automation, there are a lot of steps to completing a CTR. From the involvement of frontline staff in obtaining customer identification to the frustration and time spent validating information only to have to fix multiple, repeated errors. From there, compliance staff have to go through another drawn-out set of steps to log in and submit a CTR using the BSA E-Filing System website. Add to all this the danger of keeping track of deadlines and possibly failing to report of necessary transaction.

Contrast this with an automated process:

1. Staff at branch A obtain customer ID and enter information into the system. The system completes the necessary CTRs and alerts staff of any errors.
2. Compliance officer receives notifications from the system that new CTRs need his or her approval.
3. Compliance officer reviews the forms and queues them for electronic submission to FinCEN.

Part V

Ten (or So) Tips for Selecting an Automated System

In This Part

- ▶ Making the process automatic
- ▶ Looking for useful reports
- ▶ Creating an easy transition

Automating your CTR filings can save you time, frustration, and money (refer to Part IV for more details on the advantages). As with any investment, taking the time to plan your purchase is worthwhile. In this part, I share some tips for selecting your system.

Look for a System That Makes Filing Automatic

Look, Ma, no hands! Your system should allow for simple retrieval of customer information so that reports, particularly recurrent ones, can be filed in a snap. Choose software that accesses the customer information already in your database, uses it to complete the CTR, and electronically sends it to your compliance officer for approval. No extra staff time required.

Find One That Tracks Changes

Occasionally you'll need to make changes to a CTR. Your software should keep track of these changes so that refiling takes a couple of clicks. As a bonus, you'll easily be able to present the changes for review during an audit.

Get Connected

Your software should offer a secure connection to FinCEN (the techies call this a *virtual private network*, or VPN for short). A VPN allows you to report directly and immediately to FinCEN via the Internet, eliminating the hassles of paper filing, faxing, and worries over late filing.

Consider Storage

FinCEN requires you to keep your CTR data for five years from the time of filing. Make your life easier — choose a system that stores this data for you.

Automated systems should have the capacity to maintain all your CTRs for the five-year minimum, and maybe even forever. This means you'll have everything at your fingertips when the auditors come calling.

Reach Your Potential

Great software not only helps you to create and submit the CTRs you know about, it also provides you with a list of potentially reportable CTRs. For example, if a customer does transactions at more than one branch

or deposits a lot of cash to an ATM, they could exceed the daily limit of \$10,000 without your knowledge.

Make sure you pick software that aggregates transactions using EIN/SSN information and provides you with a list of potentially reportable transactions so you can follow up and report them as necessary.

Get a System That Provides Status Reports

Keeping track of the status of reports is key to an efficient process. Your software should provide an at-a-glance snapshot of which reports have been submitted, which are pending, which have been rejected, and which are at risk of being late.

Select Software That Flags Problems

A good system identifies problems in your reports, warns you of the errors, and prevents you from submitting the report to your supervisor for approval until the errors have been corrected. Clearly identifying problems allows employees to fix them quickly, submit the report for approval, and avoid any late-filing penalties or rejected CTRs.

Find a Flexible Solution

An automated solution should be flexible and work with your existing processes. Consider that different financial institutions handle aggregate transactions differently. At some, head office takes responsibility for filing

aggregate transaction CTRs; at others, the branch with the highest value transaction files the CTR; and at still others, the branch that processes the first transaction files the CTR. Be sure your automated system has the flexibility to file in the appropriate manner.

Your system should also allow compliance officers to override it when appropriate. For example, if a compliance officer wishes to prevent a CTR from being filed with FinCEN on an exempt customer, he or she should be able to stop the system from generating the report.

A compliance officer may sometimes need to create a special report. Choose a system that permits him or her to make changes or generate a report outside of the usual boundaries.

Pick Software That Allows You to Keep Secrets

Setting different levels of access for different staff members helps you maintain privacy. For example, if staff need to open an investigation, the software should permit them to limit access to the file. With special permission required to access the information, it's available on a need-to-know basis only.

Keep It Simple

Let's face it, upgrading to an automated system is pointless if your staff can't figure out how to use it. Installing an easy-to-use system reduces employee stress and training costs, and makes everyone happier.

Ensure Easy Integration with Your Existing Data Sources

Select an automated solution that works with your existing core processing system. Make sure the system adapts to suit your needs and that your system provider commits to making the integration of the old and new systems happen.

Leave Room to Grow

This one may seem obvious, but keep in mind that you need a system that keeps pace with the changing regulatory landscape. Make sure you choose a solution that is backed by a team dedicated to keeping the software up-to-date with any changes FinCEN decides to make to the CTR. Two more things to look for: a provider with a reputation for excellent customer support for those times when you need help, and a system that looks at the bigger BSA picture. Automating SARs, scanning 314(a), automated customer risk assessment — your job gets a lot easier if you can see the full customer picture in one place.

About Verafin



Verafin is a leader in enterprise fraud detection and anti-money laundering solutions (FRAML) for financial institutions across North America. Its software utilizes advanced behavior-based analytics that allow banks and credit unions to stay a step ahead of cutting edge fraud trends and the BSA, USA PATRIOT Act, and FACTA compliance landscape.

Verafin is the exclusive provider of fraud detection and BSA/AML software for the California Bankers Association, Florida Bankers Association, Massachusetts Bankers Association, CUNA Strategic Services and has industry endorsements covering 44 states across the U.S. For more information, visit www.verafin.com, email FRAML@verafin.com or call 1-866-781-8433.

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